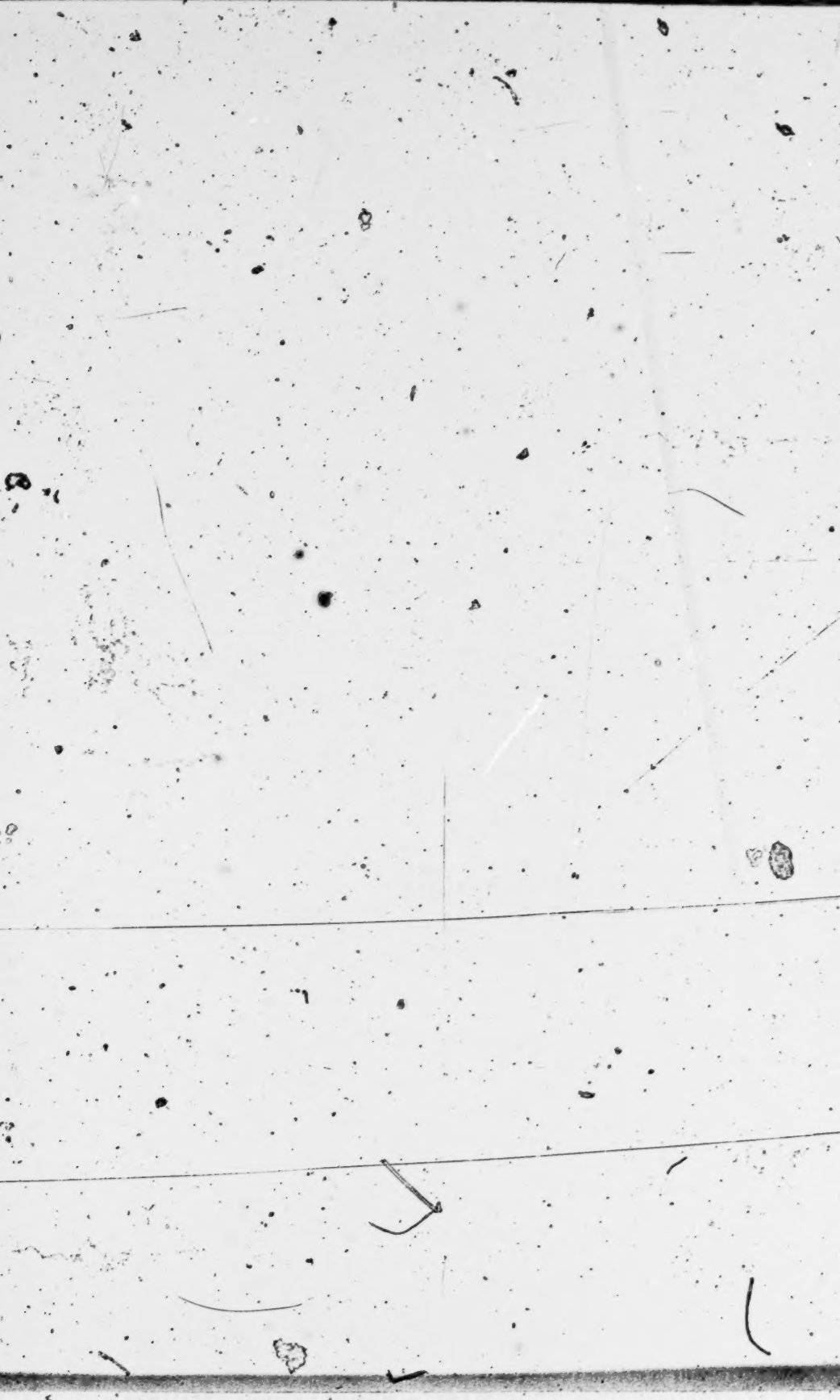

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1938

No. [redacted] 49

ZENITH RADIO CORPORATION, A CORPORATION,
Petitioner,

vs.

HAZELTINE RESEARCH, INC., A CORPORATION, AND
HAZELTINE CORPORATION, A CORPORATION,
Respondents.

BRIEF OF HAZELTINE RESEARCH, INC., IN OPPOSITION TO PETITION FOR CERTIORARI

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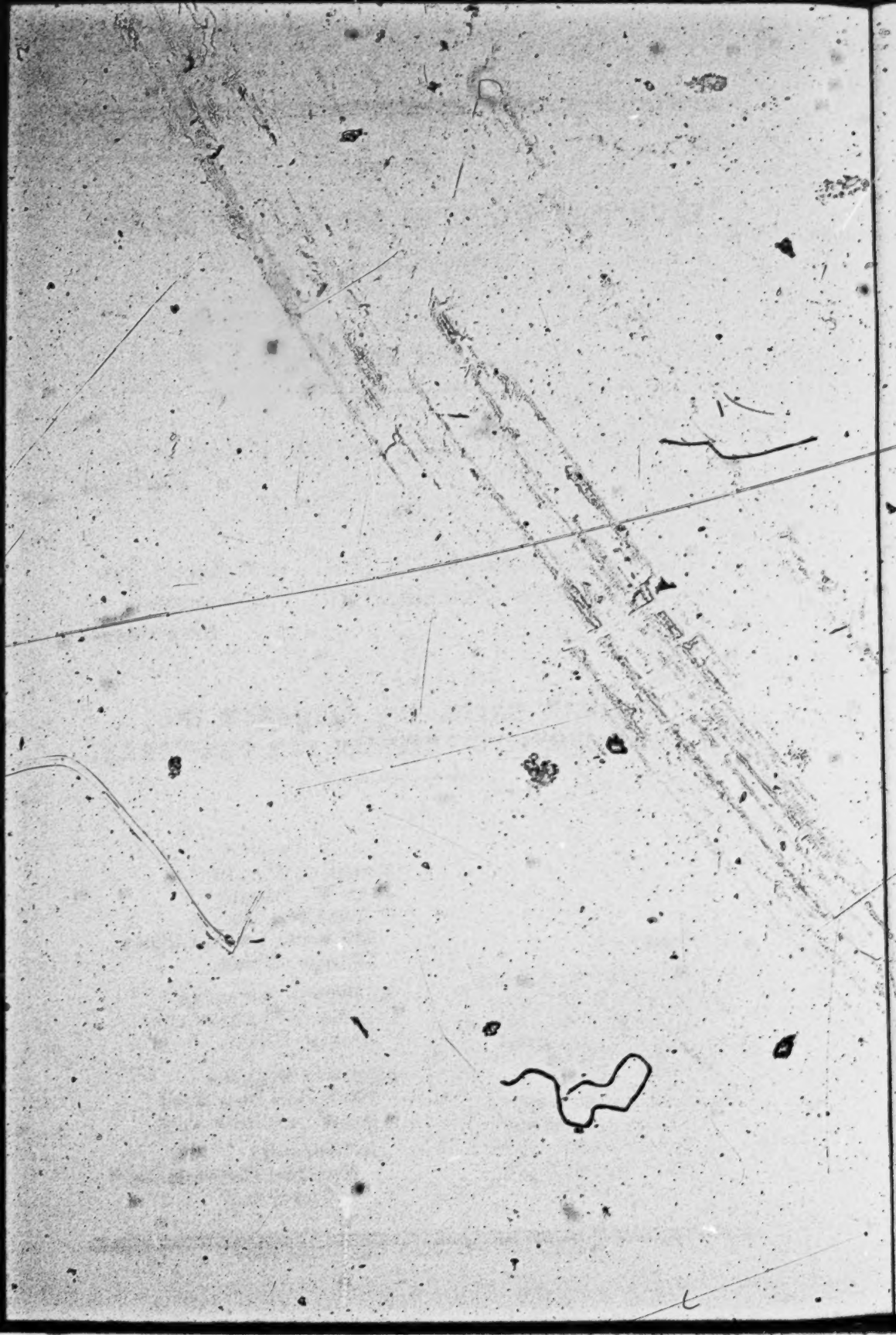

INDEX

PAGE

CITATIONS TO OPINIONS BELOW 1

QUESTIONS PRESENTED 1

STATEMENT OF THE CASE 2

SUMMARY OF ARGUMENT 6

ARGUMENT 9

I. Since This Case Involves Only Issues of Fact and the Court of Appeals Followed the Standards of Rule 52(a), There Is No Reason to Grant Certiorari 9

II. The Court of Appeals' Determination that the District Court's Findings as to the Fact of Damage Were Clearly Erroneous Raises No Question of Law Requiring Decision by this Court 11

A. Australia 12

B. England 14

C. Canada 17

III. There Is No Support for Zenith's Contention that the Instant Patent Infringement Suit Was Brought in Furtherance of an Alleged Conspiracy 25

IV. There Is No Reason to Review the Court of Appeals' Determination that the Facts Did Not Warrant an Injunction 27

V. Zenith's Petition Provides No Reason to Review the Court of Appeals' Decision with Respect to Alleged Domestic Patent Misuse 29

CONCLUSION 32

CITATIONS

TABLE OF CASES PAGE

ALCOA v. *Sperry Products, Inc.*, 285 F.2d 911 (6th Cir. 1960) 27

American Securit Co. v. *Shatterproof Glass Corp.*, 154 F. Supp. 890 (D. Del. 1957), *aff'd*, 268 F.2d 769 (3d Cir. 1959) 31

Automatic Radio Mfg. Co. v. *Hazeltine Research, Inc.*, 339 U.S. 827 (1950) 9, 31

Bedford Cut Stone Co. v. *Stone Cutters' Ass'n*, 274 U.S. 37 (1927) 28

Bigelow v. *RKO Radio Pictures, Inc.*, 327 U.S. 251 (1946) 8, 22, 23

Boesch v. *Graff*, 133 U.S. 697 (1890) 27

Bus Employees v. *Wisconsin Board*, 340 U.S. 416 (1951) 30

Cold Metal Process Co. v. *United Engineering & Foundry Co.*, 235 F.2d 224 (3d Cir. 1956) 27

Commissioner v. *Duberstein*, 363 U.S. 278 (1960) 9, 10

Continental Ore Co. v. *Union Carbide Corp.*, 370 U.S. 690 (1962) 8, 21, 24

Curtiss Aeroplane & Mtr. Corp. v. *United Aircraft Eng. Corp.*, 266 Fed. 71 (2d Cir. 1920) 27

Graver Mfg. Co. v. *Linde Co.*, 336 U.S. 271 (1949) 10, 26

Gueman v. *Pichirilo*, 369 U.S. 698 (1962) 9

Interstate Circuit v. *United States*, 306 U.S. 208 (1939) 18

Jaffke v. *Dunham*, 352 U.S. 280 (1957) 19

Labor Board v. *Pittsburgh S.S. Co.*, 340 U.S. 498 (1951) 10

Magnum Co. v. *Coty*, 262 U.S. 159 (1923) 10

McAllister v. *United States*, 348 U.S. 19 (1954) 9

PAGE

Nu-Tec, Ltd. v. *Hearst*, 39 Ont. Weekly Notes 110 (1930) 26

St. Pierre v. *United States*, 319 U.S. 41 (1943) 30

United States v. *duPont & Co.*, 353 U.S. 586 (1957) 17

United States v. *El Paso Natural Gas Co.*, 376 U.S. 651 (1964) 4

United States v. *Oregon Medical Society*, 343 U.S. 326 (1952) 29

United States v. *Singer Mfg. Co.*, 374 U.S. 174 (1963) 9, 11

United States v. *U.S. Gypsum Co.*, 333 U.S. 364 (1948) 9, 11, 25

STATUTES

Clayton Act, 38 Stat. 737, 15 U.S.C. § 26 ..... 8, 27-28

RULES

FED. R. CIV. P. 52(a) 7, 9, 10

IN THE

Supreme Court of the United States

OCTOBER TERM, 1967.

No. 1266

ZENITH RADIO CORPORATION, A CORPORATION,
Petitioner,

vs.

HAZELTINE RESEARCH, INC., A CORPORATION, AND
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Respondents.

BRIEF OF HAZELTINE RESEARCH, INC., IN OPPOSITION TO PETITION FOR CERTIORARI

CITATIONS TO OPINIONS BELOW

The opinion of the Court of Appeals is reported in 388 F.2d 25. We shall refer to the pages of the Opinion as reproduced at pages 60-85 of the Petition for Certiorari, and shall cite it as "Op. Pet. ....."

QUESTIONS PRESENTED

1. Although the Petition of Zenith Radio Corporation (Zenith) seeks to create the impression that it presents primarily legal issues, substantially without exception the points raised take issue with the factual conclusions of the Court of Appeals. Thus, the question presented relating to the treble-damage judgments and the injunction based

on the antitrust counterclaim is: Whether there is any reason why this Court should provide a second appellate *factual* review of the voluminous record thoroughly considered by the Court of Appeals.

If certiorari were granted, the questions would be:

(a) Whether, considering all the evidence, the Court of Appeals erred in holding, as a matter of fact, that the District Court's finding that Zenith was damaged during the relevant four-year period (June 1959-May 1963) by patent pools in Australia, England and Canada was clearly erroneous.

(b) Whether, considering all the evidence, the Court of Appeals erred in vacating the injunction relating to foreign patent pools on the ground that the record, as a matter of fact, did not show a present threat by any patent pool to Zenith's ability to export to Australia, England or Canada.

2. The patent misuse issues raised by the Petition are moot. If not moot, the misuse questions would be:

(a) Whether the Court of Appeals erred in holding that the 50-80-100% offer was not in fact coercive in the light of commercial realities.

(b) Whether the Court of Appeals erred in holding that the offer to license at a royalty measured by total production was not a misuse of patents.

STATEMENT OF THE CASE

This litigation started in November 1959 as a patent infringement suit by respondent Hazeltine Research, Inc. (HRI), against petitioner Zenith on one United States

patent used in black and white television receivers (R.1-3).[1] Zenith answered the complaint in April 1960 alleging invalidity, noninfringement and patent misuse (R.4-9). Three years later, on May 22, 1963, Zenith filed an antitrust counterclaim against HRI alleging foreclosure of foreign markets for its radio and television sets by acts in furtherance of patent pools in Australia, England and Canada (R.48-53).

Some years before, in a patent suit brought by RCA, Zenith had filed a similar counterclaim against RCA, General Electric and Western Electric making essentially the same charges.[2] That case was settled without trial in September 1957. Zenith received licenses in Canada, England, Australia and the rest of the world, under all radio and television patents of RCA, General Electric and Western Electric (PX 48, R.2131-34) and a payment of $10 million. In return, Zenith gave general releases of all past damages and of all future damages which might result from acts occurring prior to the settlement (R.224-26).

Zenith maintains that its counterclaim in the instant case and its counterclaim in the *RCA* case were based on the

---

1. The following abbreviations are used in this brief:
Pet. —Zenith's Petition for Writ of Certiorari.
Op. Pet. —Decision of Court of Appeals reprinted in Zenith's Petition.
R. —Printed record filed by HRI with the Court of Appeals.
Z. —Printed record filed by Zenith with the Court of Appeals.
PX —HRI trial exhibit.
DX —Zenith trial exhibit.
Throughout this brief, emphasis has been supplied unless the contrary is indicated.

2. Case No. 48 C 1818, in the District Court for the Northern District of Illinois (PX 38-42, R.2075-128).

same conspiracy and that HRI was a co-conspirator (Pet. 11). Although denying participation in any conspiracy, HRI as an alleged joint tortfeasor has the benefit of the 1957 releases (R.1979), including release of future damage from past acts (R.224-26).

In the instant case, the trial judge, without opinion, "mechanically adopted" the findings and conclusions proposed by Zenith,[3] calling for damages on Zenith's antitrust counterclaim against HRI of over $48 million after trebling (R.107-29). The findings were based on Zenith's claim that its exports to England, Australia, and Canada had been interfered with by patent pools in those countries which refused to license imports and brought or threatened to bring patent infringement suits against people who imported without a license. Before the entry of judgment, HRI through additional counsel moved for withdrawal of the findings and conclusions and for dismissal of or for further hearings on the counterclaim, on the basis, *inter alia*, of the failure of proof, the effect of the 1957 releases, and the effect of governmental embargoes in England and Australia (R.129-41).

The trial judge denied the motion as to Canada and entered a judgment for $19,042,173 against HRI and its parent, Hazeltine Corporation, for alleged damage to Zenith's Canadian exports (R.248).[4] However, the District Court did allow the filing of affirmative defenses as to all three countries and ordered further hearings on the extent of damage as to England and Australia (R.2039-40).

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3. See *United States* v. *El Paso Natural Gas Co.*, 376 U.S. 651, 656 (1964).

4. In addition, the judgment held the patent invalid, not infringed, and misused; and granted an injunction as to domestic patent misuse and prohibiting restriction of Zenith's exports (R.248-49).

After an additional hearing, the trial judge found that governmental embargoes had excluded Zenith from any entry into England from World War II until June 8, 1959, and into Australia from World War II until April 1960 (R.4414-16). Zenith did not appeal from these findings.

Zenith's president, Wright, and its executive vice-president, Kaplan, who had been the principal witnesses for Zenith at the original trial, were recalled by the trial judge to testify *a second time* on how they had determined the amount of Zenith's damage claims as to Australia and England, which the trial judge had accepted as correct. Although the trial judge characterized their testimony on recall as not "believable" (R.4145-46), he entered judgment as to England and Australia in the amount of $15,919,458 (R.4161, 4163), using a damage formula not based on anything in the record (R.4146-47).

On appeals from the two judgments aggregating $34,961,631 (more than the combined net worth of HRI and Hazeltine Corporation),[5] the Court of Appeals reversed the antitrust judgment solely on the issue of the fact of damage,

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5. Although the Petition characterizes the "Hazeltine companies" as among the "largest electronics companies in the world" (Pet. 28), HRI, which is engaged solely in the business of research, development, ownership and licensing of U. S. patents in the radio and television field (R.1063), had a net income in 1964 of $219,777 and a net worth of $3,184,419 (R.221). In 1964 the net income of Hazeltine Corporation and all its subsidiaries including HRI was $1,132,092 and their net worth was $21,068,763 (R.221). On the other hand, Zenith which claims to be the largest U. S. manufacturer of television sets (PX 62, R.2177) and possibly the largest manufacturer of radios (R.1770) had net earnings after taxes in 1962 (the only year for which Zenith figures are of record) of $19,637,068 and a net worth of $108,523,737 (PX 62, R.2177, 2181-82).

and did not pass on any other issue,[6] saying:

> "We agree with HRI that Zenith failed to sustain the burden of proving the essential *fact* of damage in the relevant period.
>
> • • •
>
> "We hold that the finding of the district court that Zenith had been injured in its business by the activities of the alleged unlawful conspiracies in Australia and England is clearly erroneous.
>
> • • •
>
> "We hold that even though there is some testimony of damage suffered by Zenith in the damage period as a result of pool activities in Canada, we have a firm conviction that the district court made a mistake in inferring from the entire testimony that the essential element of *fact* of damage had been established by Zenith" (Op. Pet. 76, 79-80, 81; emphasis Court's).

The Court of Appeals also struck provision C relating to foreign patent pools from the injunction (Op. Pet. 83-84), affirmed the judgment holding the patent invalid, affirmed as to one misuse finding, affirmed the judgment for $150,000 for domestic patent misuse, and modified certain of the injunctive provisions relating to domestic patent licensing (Op. Pet. 71-75).[7]

SUMMARY OF ARGUMENT

I. *This is not a proper case for certiorari.* The Petition raises issues of fact, not matters of law. The Court of

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6. Thus, although Zenith suggests (Pet. 15, 28) that the Court of Appeals concurred in the finding of unlawful conspiracies, the fact is that the court did not find it necessary to pass on the question of whether HRI was a party to alleged unlawful conspiratorial activities (Op. Pet. 76).

7. The vacating of the judgments as to Hazeltine Corporation (Op. Pet. 61-65), and Zenith's attack thereon (Question 11, Pet. 5), are dealt with in the separate brief of Hazeltine Corporation.

Appeals properly applied the standards of Rule 52(a) in reversing findings of fact by the trial judge. Certiorari was not intended to provide the losing party with a second appellate review of the facts.

II. *The Court of Appeals' determination as to the fact of damage is fully supported by the record.* The record shows that a government embargo prevented importation of Zenith's products into Australia until April 1960. There was no evidence of any pool interference since the early '30s with attempts by Zenith to export to Australia. Licenses permitting imports have been available from the Australian patent pool since 1951, and radio and television sets have been imported into Australia.

A similar embargo prevented Zenith from importing into England from 1939 to June 1959. Since that time, Zenith has exported radios to England without any interference by the English patent pool. Contemporaneous Zenith documents conclusively show that the reason Zenith did not enter the British television market was that its American-made television sets would not function under the then-existing British 405-line broadcasting system, and it was waiting during the entire relevant period for an expected change to a 625-line system before attempting to export to England. A 1962 report from Zenith's English distributor said: "Nobody knows yet when the regular [625-line] transmissions will start and until such time naturally we cannot start marketing."

Zenith's claim that it could not export radio and television sets to Canada in the absence of a pool license without exposing its products to confiscation and its distributors or dealers to patent infringement suits is refuted by the record which shows that, in the period involved in this case, Zenith has exported and sold its radio and television sets in Canada without a pool license, no Zenith products have been confiscated, and none of its distributors or

dealers has been sued for patent infringement or even threatened. Following its 1957 settlement with RCA, General Electric, and Western Electric, Zenith entered the Canadian market, considering its sets fully licensed. It sold tens of thousands of radio and television sets in the four-year period involved in this case.

The Court of Appeals here relied upon no principle of law which is in conflict with either *Bigelow* v. *RKO Radio Pictures, Inc.*, 327 U.S. 251 (1946), or *Continental Ore Co.* v. *Union Carbide Corp.*, 370 U.S. 690 (1962), both of which were jury cases involving factual situations substantially different from the case at bar.

III. *The instant patent infringement suit was not brought in furtherance of any alleged conspiracy.* Zenith's counsel admitted at trial that HRI's charges of infringement involving U.S. patents "didn't have anything to do with the overall conspiracy." The trial court agreed there was no merit to Zenith's contention. The Court of Appeals was correct when it said, "There is nothing in the record to show that this suit had any effect to damage Zenith's Canadian business" (Op. Pet. 81).

IV. *The facts did not warrant an injunction.* There is no question here of the construction of Section 16 of the Clayton Act but rather a question of fact as to whether the record shows a "*threatened* loss or damage" to Zenith. Since all of the acts relied upon by Zenith are old and the record shows the absence of any current threat to Zenith in any of the countries involved, the Court of Appeals correctly held that there was no probability of loss or damage to Zenith.

V. *The domestic patent misuse issues raised by the Petition are moot.* The patent in suit has been held invalid, a finding of domestic misuse on other grounds was affirmed, Zenith has been awarded all of the damages it

requested, and HRI has not sought review of these holdings. But even if not moot, there is no merit to Zenith's contention that there were other grounds for finding misuse. The 50-80-100% license offer was reasonable in light of commercial realities and the royalty basis proposed by HRI was proper under *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.*, 339 U.S. 827 (1950).

ARGUMENT

I. SINCE THIS CASE INVOLVES ONLY ISSUES OF FACT AND THE COURT OF APPEALS FOLLOWED THE STANDARDS OF RULE 52(a), THERE IS NO REASON TO GRANT CERTIORARI.

Rule 52(a) of the Federal Rules of Civil Procedure provides that findings of fact in actions tried without a jury may be set aside when "clearly erroneous." This Court has determined that:

> "A finding is 'clearly erroneous' when *although there is evidence to support it*, the reviewing court *on the entire evidence* is left with the *definite* and *firm conviction* that a *mistake* has been committed." *United States* v. *U.S. Gypsum Co.*, 333 U.S. 364, 395 (1948).[8]

The Court of Appeals' review of the trial record in this case caused it to have such a conviction.

This is a Rule 52(a) case and nothing more. Although the questions presented and arguments made throughout the Petition are repeatedly phrased as involving "matter[s] of law," almost all of them are ultimately based on the contention that the Court of Appeals made a mistake

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8. This test has been uniformly followed, see *McAllister* v. *United States*, 348 U.S. 19, 20-21 (1954); *Commissioner* v. *Duberstein*, 363 U.S. 278, 291 (1960); *Guzman* v. *Pichirilo*, 369 U.S. 698, 701-03 (1962); *United States* v. *Singer Mfg. Co.*, 374 U.S. 174, 194 n.9 (1963).

as to the facts. For example, Zenith asserts that the Court of Appeals held "as a matter of law" that the patent pools "could cause no damage to Zenith . . . as an exporter of radios and television sets" (Question 1, Pet. 2) and that Zenith "cannot be injured . . . where substantial and uncontested evidence in the record shows that Zenith's sales of electronic products were prevented or substantially curtailed in such foreign markets" (Question 2, Pet. 2-3). But the Court of Appeals made no such holdings. It held only that as a matter of fact the pools *had not* caused damage to Zenith's exports and Zenith's sales of electronic products *were not* curtailed by the pools.

No matter how Zenith attempts to label its contentions or to characterize the holding below, the Court of Appeals' opinion shows that the basis for its determinations was solely factual and that the findings of fact adopted by the District Court were clearly erroneous under the standards of Rule 52(a) (Op. Pet. 76-81).

Thus, the issue raised by Zenith's Petition is whether this Court should provide a second appellate review of the facts. "[J]urisdiction was not conferred upon this Court merely to give the defeated party in the Circuit Court of Appeals another hearing." *Magnum Co.* v. *Coty*, 262 U.S. 159, 163 (1923); see also *Graver Mfg. Co.* v. *Linde Co.*, 336 U.S. 271, 275 (1949); *Labor Board* v. *Pittsburgh S.S. Co.*, 340 U.S. 498, 502-03 (1951).

Furthermore, Zenith ignores the distinction between a jury determination[9] and findings of a trial judge, made

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9. See *Commissioner* v. *Duberstein*, 363 U.S. 278, 290-91 (1960): "Where a jury has tried the matter upon correct instructions, the only inquiry is whether it cannot be said that reasonable men could reach differing conclusions on the issue."

clear by the Court in *United States* v. *U.S. Gypsum Co.*, 333 U.S. 364, 394-95 (1948). For example, by Question 6 (Pet. 4) and its argument (Pet. 30-32), Zenith suggests that the Court of Appeals was bound to view the evidence in the light most favorable to the petitioner and to accept *all inferences* drawn by the trial court, thus incorrectly treating the trial court's findings of fact as if they were a jury verdict. But a court of appeals can review and reject the inferences drawn by a trial court even when there is *some* evidence to support them, if they are clearly erroneous. See *United States* v. *Singer Mfg. Co.*, 374 U.S. 174, 194 n.9 (1963); *United States* v. *U.S. Gypsum Co.*, 333 U.S. 364, 394-95 (1948).

Here, the Court of Appeals gave this case and its six thousand page printed record thorough consideration. The briefs of the parties, excluding the patent validity and infringement issues, exceeded 400 pages. The court heard oral argument for one full court day and had the case under advisement for almost seven months. The opinion itself reveals thorough and detailed consideration of the record. There is no reason for a second appellate review by this Court.

II. THE COURT OF APPEALS' DETERMINATION THAT THE DISTRICT COURT'S FINDINGS AS TO THE FACT OF DAMAGE WERE CLEARLY ERRONEOUS RAISES NO QUESTION OF LAW REQUIRING DECISION BY THIS COURT.

Zenith claimed that patent pools in Australia, England, and Canada had interfered with Zenith's exports of radio and television sets to those countries by refusing to license Zenith products and suing or threatening distributors who sold Zenith products. Zenith claimed and the trial court adopted June 1, 1959, to May 31, 1963 (DX 220, R.3905;

Finding XXXVI, R.123) as the period in which Zenith was allegedly injured and for which it sought damages.[10] Zenith further limited the time period by an affidavit filed with the trial court in which Zenith's attorney expressly disclaimed injury from acts occurring prior to April 1960.[11] But the Petition points to no acts after April 1960 which Zenith claims injured it.

A. Australia

The conclusion of the Court of Appeals that Zenith had failed to prove the fact of damage with respect to Australia is fully supported by the record:

"Until April 1960, Australian government regulations prevented Zenith's selling radio and TV sets in that country" (Op. Pet. 78). From 1939 until April 1960, the Commonwealth of Australia imposed restrictions which prevented the importation of radio or TV sets from dollar countries, including the United States (R.4415, 4417).

"Zenith's case rests on the testimony of its officers that conversations between Zenith employees and Australian businessmen who were not members of the patent pool led it to believe that it could not obtain a license to import radio and TV receivers into Australia after 1960. There

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10. For convenience, this period was used instead of the period beginning May 22, 1959, the actual four-year period preceding the counterclaim.

11. Zenith filed its answer on April 7, 1960 (R.4-9). On the 21st of March, 1963, in order to obtain leave to file a counterclaim at such late date, Zenith filed an affidavit by its vice-president and attorney of record, Francis W. Crotty, which stated that the matters "which are the proximate cause of the damages alleged and require the relief sought in said counterclaim, occurred *after* the filing of the answer herein" (R.47).

is no evidence that Zenith ever attempted to obtain a license from the Australian pool . . ." (Op. Pet. 78). Zenith's only evidence was hearsay testimony of its president, Wright, that Zenith had been thrown out of Australia "in either the late twenties or the early thirties" (R.1398), and his testimony that at some unspecified time he had talked to persons not connected with the pool who indicated they *thought* that a patent license permitting imports could not be obtained (R.1397). But Zenith was never sufficiently interested to inquire of the pool as to the availability of a license (R.1397-98; 1462-63).

"[N]or is there any proof of use by the Australian patent pool of restrictive license forms to prevent import" (Op. Pet. 78). The record shows that since at least as early as 1951, the Australian patent pool has been offering patent licenses which would permit imports of radio and TV sets from foreign countries, and that the license form which Zenith relied on to show a restrictive policy was a license designed specifically for licensing of *local* Australian assemblers (DX 192, R.3669; 1726).

"Indeed, during the post-1960 period a large number of low priced Japanese radio and TV sets were sold in Australia" (Op. Pet. 78-79). Official Australian government records (in evidence) show that, for example, from 1960 to 1964 over 485,000 radios were imported into Australia from Japan and that in fiscal 1963-64 over 2700 television sets were imported from Japan (R.4353-65). The pool did not prevent these sales, and there is no showing that Zenith would have been treated any differently.

"Actually, high import duties and shipping costs posed a formidable barrier to Zenith sales". (Op. Pet. 79). For most of the period, import duties on television sets were a minimum of 45%, *plus* a flat charge of $55.50 per set (PX 70, R.4227; PX 71, R.4237-38).

"No specific findings were made with regard to how the alleged conspiracy prevented sales by Zenith in Australia" (Op. Pet. 78). There was simply no evidence and no trial court finding that the Australian pool did *anything* to interfere with any attempted exports by Zenith to Australia.

On the basis of these facts, the Court of Appeals found that "[t]here is *no evidence* to warrant the inference that Zenith intended to or was prepared to enter the Australian market" (Op. Pet. 79) and that "there is *no testimony that could* reasonably support a finding of fact of damage there" (Op. Pet. 78). These determinations certainly raise no questions of law, and Zenith's Petition points out no reason for this Court to review them.

B. England

The conclusion of the Court of Appeals that Zenith failed to prove the fact of damage with respect to England is fully supported by the record:

"A World War II embargo prevented Zenith from importing its products into England until June, 1959" (Op. Pet. 79). The record shows that the British government barred imports of radio and TV sets from dollar countries including the United States from 1939 until June 8, 1959 (R.4408-17).

"At that date all basic radio patents had expired, and Zenith had no difficulty in doing radio business in England" (Op. Pet. 79). Zenith's president so testified (R.1386, 1396), and the District Court so found (Finding XXII, R. 116). Adam Ramsay, who operated as United Mercantile Company in London, was appointed distributor for Zenith products in June 1959, and thereafter imported and sold Zenith radio sets in England with no interference from the English pool (R.1385-86).

"The difficulty Zenith had in the English market with its TV products cannot reasonably be attributed to the activity of an unlawful conspiracy in that country. . . . There was no testimony that the British pool, during the damage period, had threatened or filed suit on any patents" (Op. Pet. 79). There was no testimony of any threat or suit by the British patent pool against Zenith after 1937 (DX 104, R.2772; 1395-96).

"Zenith sets manufactured in the United States operated on 525-line and 625-line scanning signals. The English standard was a 405-line signal until changed to 625-line *after the damage period*. . . . We think it is unreasonable to infer that Zenith intended to and was prepared to enter the English television market during the damage period. The only reasonable inference is that it was *waiting for a change in English standards to a 625-line system*" (Op. Pet. 79). The record fully supports this conclusion:

First, at the original trial in April 1964, Zenith's president, Wright, and its executive vice-president, Kaplan, created the impression that Zenith had sent to Ramsay (the English distributor) for marketing in England television sets which had been engineered by Zenith to receive the English 405-line transmission or which were easily convertible by the distributor with a kit supplied by Zenith; and that in fact the distributor had attempted to market such sets (R.1386, 1463, 1467, 1680, 4096). This testimony was summarized by Zenith's counsel: "all the changes that were necessary . . . the distributor could make in a back room with a screwdriver" (R.1680). However, after the original trial, Ramsay, the English distributor, was deposed and his testimony revealed that the original testimony of Wright and Kaplan was grossly misleading (R.4660-62, 4690, offer of proof).

As a result, in November 1965, in cross-examination on recall, Wright was forced to admit that *no sets* built to receive the 405-line system had ever been sent to the English distributor (R.4120), that *he did not know* whether any sets had been altered by the distributor to receive the English transmission (R.4121), that he *did not know* whether the distributor had ever attempted to market any sets equipped to receive the 405-line transmission (R.4122), and that although his previous testimony concerning conversion kits plainly referred to television sets, the only conversion kits he knew of were for "add[ing] long wave to radio sets" (R.4125).[12]

Second, a contemporaneous series of letters and telegrams between Zenith and Ramsay showed beyond cavil that Zenith was delaying entry into the English market until *after* an expected change to the 625-line system (Bulk Exhibit DX 112, R.2801-35). As one example, in November 1962, near the *end* of the period for which Zenith seeks damages, Ramsay wrote to Zenith:

> "Nobody knows yet when the regular [625-line] transmissions will start and *until such time* naturally we cannot start marketing" (DX 112, R.2835).

Zenith's only answer is the assertion that proof that it was not prepared to enter the English market "came from Hazeltine's rejected offers of proof" (Pet. 20-21). On the contrary, this proof was not only in the record but it is

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12. In view of this shocking and unexplained change of testimony on the part of Zenith's chief executive officer, the Court of Appeals was quite charitable when it said:

> "Zenith was not *aided*, in showing loss of probable profits, by the testimony that its man in England could adjust Zenith sets to the English standard 'with a screwdriver in the back of the shop in a few minutes'" (Op. Pet. 79).

in one of Zenith's own exhibits (DX 112, R.2801-35). Moreover, it is the type of evidence, *viz*, contemporaneous documents, which *destroys* any basis for a contrary conclusion. *United States* v. *duPont & Co.*, 353 U.S. 586, 602 (1957).

Under such circumstances, no issue of law is raised by the Court of Appeals' conclusion that "Zenith failed to prove the fact of damage with respect to the English market" or its holding that "the finding of the district court that Zenith had been injured in its business by the activities of the alleged unlawful conspiracies in Australia and England is clearly erroneous" (Op. Pet. 79-80).

C. Canada

The Petition contends that the proof of damage in the Canadian market occasioned by the Canadian pool was largely documentary and not denied, and asserts that Zenith could not export its sets to Canada without a pool license "without exposing its products to *confiscation* and its distributors and dealers and customers to patent infringement suits" (Pet. 7). As support, Zenith cites a number of exhibits, all of which are dated in the early 1950's *prior to* the 1957 settlement (Pet. 7). Moreover, the record shows that in the period involved in *this* case Zenith has exported and sold its radio and television sets in Canada *without* a pool license, no Zenith products have been confiscated, and none of its distributors or dealers or customers has been sued for patent infringement or even threatened (R.1393-94, 1400; DX 216, 3871-82).

As a part of the 1957 settlement of its litigation with RCA, General Electric, and Western Electric (see p. 3, *supra*), Zenith received a world-wide license from those companies under all their patents including their patents in the Canadian pool (Finding XXII, R.116). As a result,

Zenith in late 1958 entered the Canadian market with radio and television sets (Finding XXX, R.120), claiming that as a result of these and other direct licenses its sets were "fully licensed to the extent that they employ *any* patents administered by" the Canadian pool (DX 138, R.3121, 3124).

During the four-year period involved here, Zenith actively promoted its products in Canada and sold tens of thousands of radio and television sets there (DX 220, R.3905). By 1961 it had over 6% of the radio market and 5% of the television market (DX 220, R.3905).[13] Despite all this activity, the pool did nothing. Wright, Zenith's president, admitted that he could not recall a dealer complaining of interference from the pool after 1958 (R.1393-94), and Zenith offered no dealer or distributor testimony.[14] Indeed, the only interference with Zenith's Canadian sales during the period relevant here was (according to Zenith's own 1962 Annual Report in evidence as PX 62, R.2175) an increase in the Canadian tariff on American goods and an unfavor-

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13. In these beginning years, Zenith's Canadian television market share was comparable to the share it obtained in its first years in television in the United States (R.4436, offer of proof taken from Zenith's answers to interrogatories in the *RCA* case).

14. This failure to call distributor witnesses undercut Wright's vague generalities concerning "clouds" and "feeling of uncertainty" among distributors (R.1379, 1412). *Interstate Circuit* v. *United States*, 306 U.S. 208, 226 (1939). Zenith admits that the Court of Appeals chided it for not calling any distributor as a witness (Op. Pet. 80), but attempts to excuse its failure by contending that distributors were a part of the Canadian conspiracy (Pet. 21 n.3). Of course, the distributors to which the Court of Appeals had reference were Zenith's own distributors who would have been able to testify about interference from the pool had there been any.

able change in the currency exchange ratio (R.2178).[15]

Ignoring these undisputed facts, Zenith makes a scattershot attack on the Court of Appeals' decision, making a number of arguments, none of which has merit:

First, Zenith places great emphasis upon statements in a Canadian Royal Commission report that the Canadian pool's portfolio consisted of five thousand patents, and that in the absence of a license from the pool, it is "doubtful" whether anyone could sell a radio or television receiver in Canada (Pet. 7-8). Even if the *doubt* expressed in the report were justified as to one who had *no* license under *any* of the pool's patents, it has no probative value as to Zenith. For Zenith had direct licenses under the pool's most important patents,[16] which it considered made

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15. In addition to the 1962 Report which was in evidence, Zenith's annual reports for 1957-1961 were before the trial court as a part of ERI's offer of proof made before entry of judgment (R.180-85). Following the announcement in the 1957 Report of the inauguration of an "aggressive program" to go into Canada (R.180), these reports show that during the very period in which it now claims to have been injured, Zenith was achieving outstanding success in Canada (R.180-85). For example, according to its 1961 Report, Zenith's Canadian operation "made gratifying progress during the year, selling more television receivers than in the two previous years combined. Consistent national advertising and the enthusiasm of distributors and dealers have created a growing demand for Zenith products in the Canadian market" (R.184-85). *Cf. Jaffke* v. *Dunham*, 352 U.S. 280, 281 (1957).

16. Zenith had a direct license under the patents of RCA, which at one time held over 79% of the pool's important patents (DX 166, R.3318). It also had a license from General Electric and Canadian General Electric, the pool's largest shareholder (R.1377); from Western Electric and under the Parker intercarrier sound patent (R.1337, 1402).

its products "fully licensed to the extent that they employ *any* patents administered by Canadian Radio Patents Limited" (DX 138, R.3121; see also R.3124), and *without a pool license* Zenith was, in fact, able to sell tens of thousands of radio and television sets in Canada (DX 220, R.3905).

Second, Zenith refers to the 1958 pool advertisement relating to pool patents appearing in a Canadian trade publication and argues that the Court of Appeals held that the "regular circulation" of such notices "could not *as a matter of law* be used as proof of the fact of damage" and that "a threat to sue Zenith's customers *as a matter of law* cannot be a damage causing overt act pursuant to the conspiracy" (Pet. 13). The court made no such holding. What the Court of Appeals held was that there was no showing that the 1958 notice had any effect on Zenith's sales (Op. Pet. 80).[17] Although Wright testified the notice was typical of what had regularly appeared "prior to 1957" (R.1374), neither he nor anyone else ever testified that such a notice appeared again after Wright's protest to the pool in 1958 concerning its publication (R.1370-71, 1394).

Third, Zenith relies (Pet. 14) on conversations between a Canadian pool representative and Zenith's subsidiary, culminating in a conversation on May 12, 1959, between the president of the Canadian pool and two of Zenith's lawyers in Chicago (R.1332). But there was no showing that these conversations adversely affected Zenith's Canadian business. As the Court of Appeals pointed out (Op. Pet. 81), Zenith continued thereafter to export to Canada without

17. The notice was general and made *no* reference to Zenith (DX 138, R.3122).

interference, it spent large sums on advertising its products in Canada[18] and steadily increased its market share until the tariff increase.

An additional answer to the *Second* and *Third* contentions, discussed above, is that the last pool notice appeared in August 1958 and the final Canadian pool visit was on May 12, 1959. Both of these events were not only outside the period for which Zenith sought damages in the trial court (see note 10, p. 12, *supra*), but also prior to April 1960 (see note 11, p. 12, *supra*).

Fourth, Zenith asserts (Pet. 31) that the Court of Appeals held that "repeated and futile demands for unavailable pool licenses are a condition precedent to establish the fact of damage in the instant action" and contends that this supposed holding conflicts with *Continental Ore Co.* v. *Union Carbide Corp.,* 370 U.S. 690 (1962). The Court of Appeals made no such holding. It merely listed the fact that Zenith had not sought a pool license and that Zenith had taken the position that it was fully licensed as a result of the 1957 settlement, rendering a pool license unnecessary, as among many factors which, when taken together, showed that Zenith was not in fact injured in the four-year period for which it sought damages in this case (Op. Pet, 80-81).

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18. Zenith's president had asserted that Zenith had held back on its advertising and promotion in Canada, but the record shows, as noted by the Court of Appeals (Op. Pet. 81), that in 1960 Zenith spent 11% of its Canadian TV sales and almost 13% of its Canadian radio sales on advertising (DX 218, R.3884). And the testimony of Kaplan, Zenith's executive vice-president, indicated that Zenith did *not* hold back but spent 10-11% on advertising, higher than normal, "as a result of getting started into business in Canada" (R.4085).

Fifth, Zenith argues (Pet. 30) that the decision of the Court of Appeals "in effect reverses" *Bigelow* v. *RKO Radio Pictures, Inc.*, 327 U.S. 251 (1946). According to Zenith, *Bigelow* holds that the Court of Appeals lacks the power to reverse any finding based on an inference from the "guesstimates"[19] of Wright and Kaplan that in Canada Zenith could have achieved 20% of the market instead of the 5% it did achieve. This argument is erroneous for a number of reasons:

Zenith misstates the Court of Appeals' position when it says that the court held that the trial court *could not* draw an inference of injury from the facts here "as a matter of law." The Court of Appeals held only that *considering the entire record* it had a firm conviction that the trial court had made a mistake in inferring the fact of damage.

The testimony of Wright and Kaplan is not evidence of the fact of damage *in the period relevant to this case.* Neither Wright nor Kaplan claimed that Zenith's failure to have 20% of the Canadian market during the four-year period was due to acts occurring during the period. Instead, both testified only that Zenith would have built up to the 20% market share *by the beginning* of the damage period and could have profited from that market share during the damage period had it not been excluded from the Canadian market for a "great many years" *prior* thereto (R.4069, 4091, 4113). But whatever lack of market share and resulting loss of profits Zenith claims to have suffered after September 1957 as a result of failing to build up its Canadian market *prior* to that time was released and fully compensated for by the RCA settlement.[20]

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19. The term "guesstimate" was applied to this testimony by the trial judge (R.1444, 4146).

20. As the Court of Appeals held, the effect of the settlement was to release and to preclude recovery by

Zenith (Pet. 30) ignores the fact that in *Bigelow* this Court said a jury may "conclude as a matter of just and reasonable inference" (327 U.S. at 264) that defendant's wrongful acts had caused proven damage to the plaintiff *if the damage is not shown to be attributable to other causes.* No such inference can justly or reasonably be drawn in this case because (1) Zenith's witnesses themselves *attributed its lack of a 20% market share to acts occurring prior to* the period for which damages were claimed, and (2) Zenith's 1962 Annual Report, in evidence, attributes the only injury to Zenith's business shown in the record to have been suffered during the four-year period to an increase in the Canadian tariff and a change in the currency exchange regulations (PX 62, R.2178).[21]

Zenith for future damages resulting from activities of the Canadian pool prior to September 27, 1957, the date of the settlement (Op. Pet. 82-83). Zenith does not dispute the principles applied by the Court of Appeals, but instead argues (Pet. 11) that the settlement is an admission of the fact of damage in the years *after* that settlement. But the Court of Appeals correctly held that (1) the settlement of Zenith's case against RCA, General Electric, and Western Electric constituted no admission as to the fact of damage (Op. Pet. 83); and (2) even if there was damage *prior* to the 1957 settlement, that fact and the settlement do not prove the fact of damage *after* 1957 (Op. Pet. 83).

21. While Zenith's 1957 Annual Report referred to an alleged cartel which had "previously" excluded Zenith from participation in the Canadian market (R.180), the so-called cartel is never again mentioned in Zenith's annual reports even though its reports are filled with statements attributing difficulties experienced in various export markets, including Canada, to severe foreign competition, decline in industry sales, currency problems, tariffs and the like (offer of proof, R.180-85).

There is *no* testimony to support a conclusion that Zenith's failure to achieve any greater percentage of the market was due to any antitrust violation occurring during the four-year period claimed by Zenith and certainly not since April 1960 (see note 11, p. 12, *supra*). Indeed, starting with its market position at the beginning of the period involved here, there is no reason to believe on this record that Zenith could have done any better in the Canadian market than it actually did.[22]

Finally, Zenith overlooks the fact that the trial court decision in *Bigelow* was a jury verdict, whereas this case involves findings of fact by the trial judge without a jury (see pp. 10-11, *supra*).[23] Even assuming that the trial court

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22. Zenith's representation (made for the first time in its petition for rehearing) that it was prepared to prove its 1967 sales experience in the sale of *color* television sets in Canada is, of course, irrelevant to the issue of the *fact* of damage (Pet. 10). The product involved in this case was black and white television sets, not color. *If* Zenith has been able to build up to 18% of the color television market in Canada by 1967, that is not evidence that the patent pool did anything in the 1959-1963 period which injured Zenith's black and white television sales in that period. By 1967 Zenith had been in the television market in Canada for ten years, whereas by June 1959 it had been in the market only for a few months (Finding XXX, R.120).

23. Similarly, *Continental Ore Co.* v. *Union Carbide Corp.*, 370 U.S. 690 (1962), was a jury case, in which the Court of Appeals had to decide whether the defendant was entitled to a directed verdict (370 U.S. at 696). Accordingly, the statement of this Court in *Continental* quoted by Zenith (Pet. 31) to the effect that the Court of Appeals was bound to view the evidence in the light most favorable to Continental and to give it the benefit of all inferences does *not* apply here.

was entitled to draw the inference for which Zenith contends (and we have shown that no such inference was proper), the Court of Appeals had the power to review the findings and inferences and to reverse the judgment when, as here, its review of the entire evidence left it with the definite and firm conviction that a mistake had been committed. *United States* v. *U.S. Gypsum Co.*, 333 U.S. 364, 394-95 (1948).

III. THERE IS NO SUPPORT FOR ZENITH'S CONTENTION THAT THE INSTANT PATENT INFRINGEMENT SUIT WAS BROUGHT IN FURTHERANCE OF AN ALLEGED CONSPIRACY.

Zenith's contention (Pet. 16-17) is made in spite of the fact that at the trial, counsel for Zenith in response to a question by the trial judge *admitted* that evidence offered by Zenith concerning charges of infringement by HRI on domestic patents "*didn't have anything to do with the overall conspiracy*" (R.1350).

Moreover, Zenith did not propose and the trial court did not adopt *any finding* that the instant patent suit was brought in furtherance of any supposed conspiracy. Indeed, in a colloquy *after* the original findings had been entered and during argument on the motion to withdraw the findings, the trial judge expressly agreed when counsel for HRI said that Zenith's theory that the domestic infringement suit was detrimental to its foreign business "doesn't make much sense" (R.1872-73) and the judge questioned whether there was any "evidence or any charges in the pleadings in regard to a conspiracy in regard to the American patents" (R.1872).

Thus, the Court of Appeals was justified in saying that the "record shows that this claim was not taken seriously

by the district court" (Op. Pet. 81).[24] Since no Zenith witness ever contended that the instant patent infringement suit affected Zenith's ports to Canada, the Court of Appeals was correct in holding "[t]here is nothing in the record to show that this suit had any effect to damage Zenith's Canadian business" (Op. Pet. 81).

Furthermore, the arguments made to support Zenith's claim that this patent suit was brought in furtherance of the supposed conspiracy (Pet. 4, 16-19) are totally without merit:

(1) A holding by a United States court of validity of a U.S. patent is not binding on a Canadian court in considering the Canadian counterpart patent. The *Nu-Tec* case cited by Zenith for the contrary proposition (Pet. 17) was *reversed* on appeal and the patent held invalid in Canada in spite of the fact that its United States counterpart had been held valid. *Nu-Tec, Ltd.* v. *Hearst*, 39 Ont. Weekly Notes 110 (1930).[25]

(2) The licenses offered to Zenith by HRI contained no requirement that Zenith concede the validity of foreign counterparts of the U.S. patents (DX 2, R.2203, 2219; DX 12, R.2261, 2276; DX 18, R.2292, 2304) and Zenith cites no authority that acceptance of a U.S. patent license would be considered by foreign courts

24. Zenith's contention raises an issue of fact, determined adversely to Zenith by both the Court of Appeals and the trial court. This Court will not "undertake to review concurrent findings of fact by two courts below." *Graver Mfg. Co.* v. *Linde Co.*, 336 U.S. 271, 275 (1949), *adhered to on rehearing*, 339 U.S. 605 (1950).

25. Zenith attempts to create the impression that the patent referred to in 1958-1959 pool negotiations with Zenith was the Canadian counterpart of the patent in suit (Pet. 14-15). However, Zenith's counsel, Crotty, *admitted* that the patent involved in the negotiations "was not the counterpart of the patent in suit" (R.1360-61).

as an acknowledgment of validity of the foreign counterparts.

(3) The granting of a domestic license does not grant an implied license to the foreign counterpart patents. The rights conferred under a patent license are coextensive with the rights granted under the patent itself, *Cold Metal Process Co.* v. *United Engineering & Foundry Co.*, 235 F.2d 224, 229 (3d Cir. 1956), and these rights have no effect in another country that has issued its own patent on the same invention. *Boesch* v. *Graff*, 133 U.S. 697, 703 (1890); *ALCOA* v. *Sperry Products, Inc.*, 285 F.2d 911, 925-26 (6th Cir. 1960), *cert. denied*, 368 U.S. 890 (1961).[26]

IV. THERE IS NO REASON TO REVIEW THE COURT OF APPEALS' DETERMINATION THAT THE FACTS DID NOT WARRANT AN INJUNCTION.

The Court of Appeals held that the facts did not justify the injunction entered by the trial judge relating to Zenith's exports of electronic apparatus and ordered that provision C of the injunction be stricken (Op. Pet. 83-84).

Contrary to Zenith's contention (Pet. 29), there is no question here of the proper construction of Section 16 of the Clayton Act. The statute is clear on its face that to be entitled to an injunction, plaintiff must show "threatened loss or damage by a violation of the antitrust laws" (15

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26. The only case cited by Zenith, *Curtiss Aeroplane & Mtr. Corp.* v. *United Aircraft Eng. Corp.*, 266 Fed. 71 (2d Cir. 1920), is *not* contrary to this rule and in fact supports it because the court there acknowledged that:

"It is admitted that, if the [patented articles] which are alleged to infringe [U.S. patents] had been built in Canada . . . *under a Canadian patent*, and then brought into the United States, infringement would have been made out. But that is not this case" (266 Fed. at 79).

U.S.C. §26). The Court of Appeals held on the facts of record that "injunctive relief against 'threatened loss or damage' directed at those pools, alleged by Zenith to be unlawful conspiracies, cannot be justified under 15 U.S.C. Sec. 26" (Op. Pet. 84).

Petitioner's arguments that the Court of Appeals held: (1) that an injunction required proof of "*infringement suits* by the pool during the damage period" (Pet. 22); (2) that "proof of the fact of damage" was essential to injunctive relief (Pet. 27-28); (3) that threat of injury is no basis for injunctive relief (Pet. 22); and (4) that "as a matter of law" pools designed to stop imports cannot "be prevented under the provisions of Section 16" (Pet. 29), all find no basis whatever in the opinion of the Court of Appeals.[27]

The *Bedford Cut Stone* case relied upon by Zenith (Pet. 27), merely serves to emphasize the absence of any basis for an injunction here. In that case, this Court pointed out that there must be a "dangerous probability" that injury will occur unless enjoined (274 U.S. at 54). The facts summarized in Section II of the Argument showing the absence of the fact of damage also demonstrate that there was no such dangerous probability or threatened loss or damage

27. The supposed "large public interest" in this case is hardly demonstrated by the excised version of a statement made by Senator Long (Pet. 29) in June 1965, apparently on the basis of the trial court's adoption of Zenith's proposed findings, but before the decision of the Court of Appeals. Moreover, the use of asterisks in the quotation conceals the fact that when Senator Long was talking about the transmission of military information "to our enemies", he had embarked on a different subject and was not talking about either HRI or Hazeltine Corporation, but had reference to entirely unrelated companies.

as to Zenith in either Australia (pp. 12-14, *supra*), or England (pp. 14-17, *supra*), or Canada (pp. 17-19, *supra*).

In *United States* v. *Oregon Medical Society*, 343 U.S. 326, 333-34 (1952), the government sought injunctive relief based upon events occurring some seven years before the commencement of the suit. This Court characterized those events as "a great amount of archeology." On the record in this case, there is no evidence of any threatened loss to Zenith as to Australia since the early 1930's, as to England since before 1939, and as to Canada since the 1957 settlement.[28] While Zenith relied upon two Canadian post-1957 occurrences (the 1958 published notice and the 1959 visit by the pool manager), those occurrences, even if construed most favorably to Zenith, would at most be like the acts in the *Oregon Medical* case which this Court called "hints . . . reviving the expulsion threat . . . but nothing came of it," which did not warrant injunctive relief (343 U.S. at 334-35).

V. ZENITH'S PETITION PROVIDES NO REASON TO REVIEW THE COURT OF APPEALS' DECISION WITH RESPECT TO ALLEGED DOMESTIC PATENT MISUSE.

Zenith's attack on the patent misuse holdings of the Court of Appeals raises moot issues. The Court of Appeals, affirming the District Court, held the patent in suit invalid, and respondent has not sought review of that holding. It also affirmed the trial court holding that HRI had

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28. The English pool expired (DX 60, R.2515), and is out of existence (offer of proof, R.4573, 4575); the Australian pool has not refused to license imports since 1951 (R.3669-72); there is no evidence that Hazeltine Corporation any longer licenses patents to the Canadian pool; and HRI has no Canadian patents (Z. 3).

misused its patents in connection with its 1962 offer to Zenith[29] and affirmed an award of $150,000, representing three times the entire damages claimed by Zenith with respect to misuse; HRI has not sought review of these holdings. Thus, all Zenith can hope to get from this Court is a decision that there were *additional* reasons to support the result reached below on the domestic patent issues. The certiorari jurisdiction of this Court was not intended for the review of such moot questions. Indeed, in *St. Pierre* v. *United States*, 319 U.S. 41, 42 (1943), dismissing a writ of certiorari, the Court stated that a "federal court is without power to decide moot questions or to give advisory opinions which cannot affect the rights of the litigants in the case before it." See also *Bus Employees* v. *Wisconsin Board*, 340 U.S. 416, 418 (1951).

But even if these issues were not moot, Zenith's contentions on patent misuse have no merit.

The so-called 50-80-100% offer made to Zenith in 1959 involved only HRI's black and white television patents. Since there were then only three of HRI's patents in general use in any black and white receiver (R.1558, 1697-99), HRI offered to license its patents for a royalty of 50% of the package rate for one patent, 80% for two, and 100% for three or more.[30] In addition, the licensee was given the

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29. The 1962 offer had to do with color patents and involved a factual issue as to the circumstances under which a "ceiling" royalty was available (Op. Pet. 72-73).

30. Zenith's Petition (Pet. 33) charges that HRI's patent counsel admitted in a "confidential memorandum" that the 50-80-100% offer for black and white television patents was a misuse. The memorandum is quoted out of context. The quote did not relate to the offer of the 50-80-100% formula for black and white television patents (where HRI had only three patents in general use) but instead sug-

option of paying an annual lump sum of $25,000 for a license under one patent, $40,000 for two, or $50,000 for three or more patents (R.1358-60).

Zenith was free to take a license under only the patent or patents it needed (Op. Pet. 74). The discussions between Zenith and HRI narrowed to the single patent eventually sued upon (R.1358-60). At least eight other TV manufacturers took *not* the package but only a license under one patent, the patent here in suit (R.265-66).[31]

Whether this offer was an attempt to force Zenith to accept a package license is a question of fact. The Court of Appeals relying upon the foregoing undisputed facts correctly held that the offer was not "economic coercion" to force Zenith to accept a package license, but was "reasonable in light of commercial realities" (Op. Pet. 74).

With respect to the method of measuring royalties, Zenith does not dispute that under *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.*, 339 U.S. 827 (1950), a licensor and licensee can agree to a royalty provision measuring royalties on total production, but contends that

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gested that there would be misuse *if* that formula were applied to HRI's *ten color* patents. But the record shows that this formula was never offered in connection with color patents (R.1359, 1558, 1563, 2337).

31. Zenith contends that the Court of Appeal's decision directly conflicts with *American Securit Co.* v. *Shatterproof Glass Corp.*, 154 F.Supp. 890 (D. Del. 1957), *aff'd*, 268 F.2d 769 (3d Cir. 1959), *cert. denied*, 361 U.S. 902 (1959) (Pet. 33). However, this case is obviously different from *American Securit*, where the license offer called for the same royalty for one patent as for a group of patents and was made available only as a last resort, after the licensor had "consistently refused to license individual patents" (154 F.Supp. at 894), facts not present here.

HRI attempted to force Zenith to accept such a provision (Pet. 33-34). But there is no evidence that Zenith ever expressed any objection to this royalty provision during the negotiations or proposed any other royalty provision, and Zenith never took the position that it would take a license if some other royalty basis were used. Indeed, there is no evidence that Zenith ever discussed this royalty provision with HRI.

The net effect of Zenith's argument is that under *Automatic Radio* it would be legal for Zenith to *agree* to such a royalty basis, but illegal for HRI to *propose* it. We respectfully submit that nothing in *Automatic Radio* requires such an absurd result, and that Zenith has asserted no question warranting consideration by this Court.

CONCLUSION

For all the above reasons, Zenith's Petition for Writ of Certiorari should be denied.

Dated: May 9, 1968.

Respectfully submitted,

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